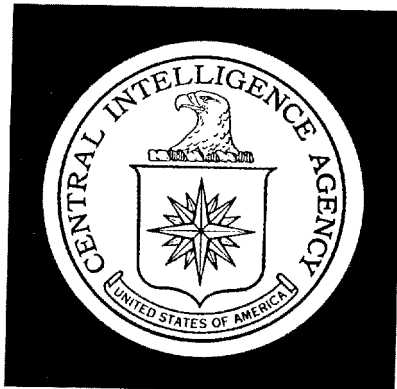


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

DIA review(s) completed.

State Dept. review completed

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(Information as of noon EDT, 19 September 1968)

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Hanoi marked time again this week on the negotiations issue, putting more stress on the theme that sooner or later the US will be required to stop the bombing and attempt to negotiate a solution to the war. Propaganda commentaries castigated both major US political parties and ridiculed the notion that the Communists are banking on the elections to bring about changes in US policy.

In the war itself, a new spurt of enemy offensive activity centered on the northern provinces of South Vietnam and on the heavily forested provinces to the north and northwest of Saigon. Some particularly sharp clashes took place near the US Marine strongpoint at the Rockpile just south of the Demilitarized Zone. Substantial enemy elements in the area may be committed to another major round of fighting in and around the Demilitarized Zone.

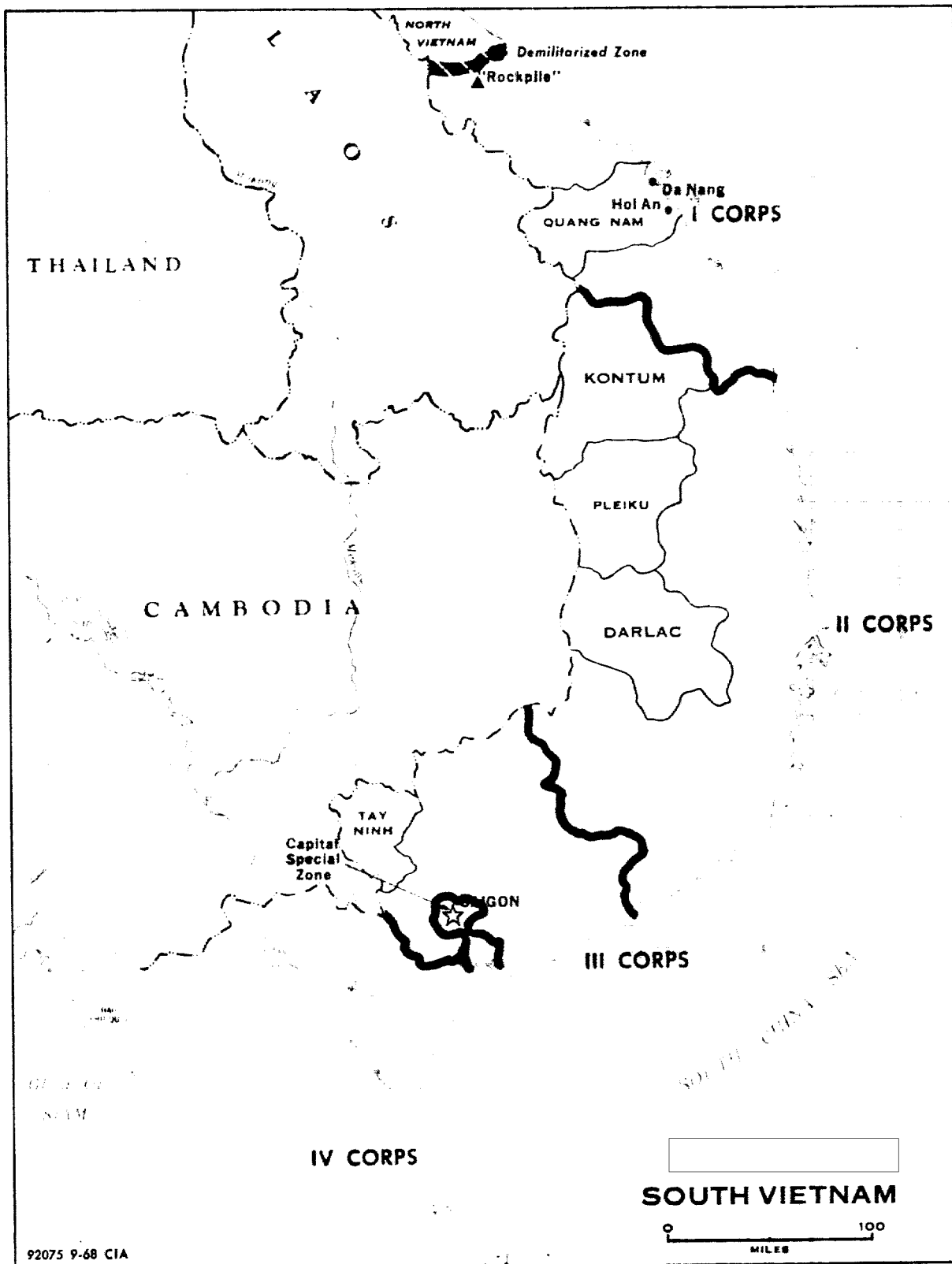
President Thieu appears to realize that he runs some risk if he permits General Duong Van Minh to end his long exile in Bangkok. Minh could well be just the first in a long parade of exiles whose return might serve only to complicate the President's difficulties in attempting to prevent South Vietnam's fractious political community from shattering the fragile stability he has managed to achieve.

Cambodia's Sihanouk appears to be slipping a bit. Although he is in no immediate danger of being overthrown, the accumulated grievances of 15 years of personal rule are beginning to take their toll on his once unchallenged position.

President Marcos' signature of a territorial seas bill, which refers to Philippine sovereignty over Sabah, has brought a new turn for the worse in Manila's long-simmering dispute with Kuala Lumpur. In an accompanying letter, Marcos gave assurances that he interpreted the bill's intent as merely to reiterate the Philippines' claim to Sabah, rather than to assert present sovereignty, but this was not enough to prevent Malaysia from announcing the withdrawal of its diplomatic staff from Manila.

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VIETNAM

A new spurt in the current Communist offensive occurred last week in South Vietnam's I and III Corps.

Elements of at least two North Vietnamese divisions supported by additional artillery units, which have been poised for combat just south of the Demilitarized Zone for several weeks, early this week began a series of attacks near the US Marine strongpoint at the Rockpile. The intensity of this action suggests that the Communists may be ready to commit their forces in and around the Demilitarized Zone to another round of large-scale fighting near the allied outposts immediately south of the zone.

Heavy fighting also erupted early this week in the coastal flatlands between Da Nang and Hoi An as South Vietnamese rangers sought enemy units reportedly massing for attacks in eastern Quang Nam Province. A Communist counterattack on the second day of battle successfully overran the South Vietnamese command post and inflicted heavy casualties. Enemy losses of more than 300 killed in two days, however, further limit their potential for large-scale ground thrusts against vital allied targets in the Da Nang - Hoi An region.

North Vietnamese and Viet Cong combat forces maintained the initiative in the heavily forested provinces north and northwest of

Saigon this week. Enemy main-force units, including elements of the 5th, 7th, and 9th infantry divisions, remain in position near target areas in northern III Corps. In addition to the threat posed by these troops, intensified shellings, ground probes of outposts, and increased enemy aggressiveness reflect the Communists' strategy of maintaining pressure in more remote areas in order to draw allied units away from Saigon and into battle areas more favorable to the enemy.

Saigon has remained relatively unscathed during the recent upsurge of enemy military action. Nevertheless, many intelligence reports suggest that some type of increased hostilities against the capital city are imminent. Although it remains unlikely that any major ground attacks into the city can be mounted in the immediate future, a renewal of rocket and mortar bombardments, possibly accompanied by limited ground probes and terrorist attacks, could come at any time.

Despite the lull in large-scale enemy military activity in South Vietnam's II and IV Corps, the concentration of forces in the western and southwestern highlands and the maneuvers of Viet Cong units in the delta indicate that another cycle of fighting may be coming in these areas. The current disposition of enemy forces in the highlands suggests that key allied positions in

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Kontum, Pleiku, and Darlac provinces are the most likely targets there. The enemy also may launch strong attacks against US and South Vietnamese positions in the principal provinces of the delta.

Vigorous allied spoiling operations continue to prevent any spectacular enemy victory on the battlefield or serious penetrations into major urban centers. Nevertheless, the over-all security situation in some parts of the country has been weakened by increased Communist activity, especially in Quang Nam and Tay Ninh provinces.

South Vietnamese Political Developments

New political currents may soon be set in motion by the prospective return from exile in Bangkok of still-popular General "Big" Minh, and by Vice President Ky's re-entry into active politics.

There has been some pressure, including a petition from the Lower House, to allow "Big" Minh to return, and the general has indicated his interest. This would be in line with the government's still tentative movement toward "national reconciliation" of all non-Communist political groups.

As the recognized leader of the 1963 coup against President Diem, Minh is perhaps the country's most popular figure, and his name could be useful in strengthening the popularity of

the Thieu-Huong regime, which has so far failed to spark much public enthusiasm.

Minh is regarded as politically unsophisticated, however, and Thieu will therefore be on guard to prevent hostile elements from exploiting his presence. Thieu announced that he would be happy to have Minh serve as his adviser.

Meanwhile, Vice President Ky has apparently concluded that he is gradually losing what voice he still has in public affairs as a result of his withdrawal from government activity following Huong's appointment as prime minister last May. After his supporters had been replaced with officials chosen by Thieu and Huong, Ky hoped that the new men would be unequal to their jobs and that he would be called back to revitalize an ineffectual government.

This has not happened, however, and Ky now wants to resume a more active role. [REDACTED]

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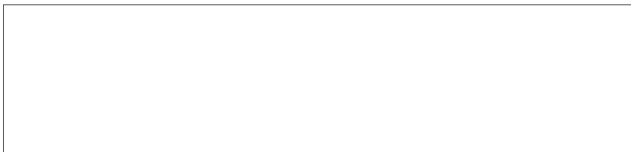
In what may be an initial effort to rebuild his political base, Ky is apparently trying to re-establish relations with the moderate Buddhist faction, which has cooperated with him in the past. [REDACTED]

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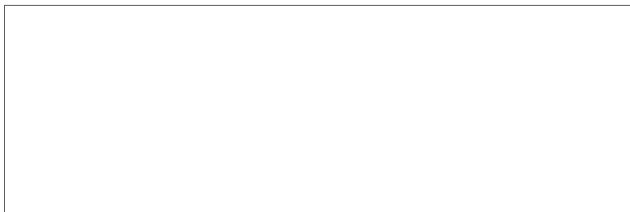
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North Vietnamese Developments

There are signs of growing attention in North Vietnam to domestic problems that have resulted from the war. Although reconstruction efforts have been confined primarily to repairing bomb damage, there are many indications of postwar economic planning.

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For some months, the North Vietnamese have been sounding out potential sources of trade and technical assistance in Japan and Western Europe and they seem determined to obtain some recon-

struction resources from non-Communist countries.

Reports of a population census conducted quietly during the past few months are indicative of the kind of stock-taking under way in North Vietnam. Such a move followed the restrictions of US bombing and may have been aimed at surveying the country's manpower resources in terms of postwar planning as well as military needs.

There have been few public references to postwar policy, however. In a speech last June, which was broadcast only recently, party First Secretary Le Duan lashed out at mismanagement and incompetence. He threatened extreme measures to shake up the party apparatus if better results were not forthcoming. Le Duan's detailed criticisms and suggestions for economic policy may well reflect initial conclusions about conditions in North Vietnam as well as some preliminary thoughts about the postwar period.

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CHINA MAKING ENEVEN PROGRESS TOWARD STABILIZATION

In certain long-troubled areas, intense political infighting between "ultraleftist" and "conservative" forces is continuing behind the scenes. In part, this probably reflects disagreements at the center, where the ultimate decisions on the political composition of provincial governments are made.

In general, however, Peking's recent drive to restore order and to establish new political and administrative machinery in the provinces seems to be taking hold. Reports of factional strife in such turbulent areas as the southern provinces of Kwangtung and Kwangsi have declined markedly

since July. Extensive preparations are also under way for the most elaborate celebration of National Day in several years, probably in an effort to dispel the image of chaos created during the Cultural Revolution.

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the situation as tense in the coastal areas of southern Chekiang and Fukien provinces. As in Tibet, these are areas where the military itself has long been split over which faction to support and, as a result, it seems likely that the conflicts there will persist.

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DOMESTIC CRITICISM OF CAMBODIA'S SIHANOUK INCREASES

Cambodia's Prince Sihanouk is under increasing criticism from disgruntled elements, and his advisers have warned him that his once unchallenged position in the country is slipping although there is no immediate chance of his being deposed.

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Nevertheless, the unusual candor of Sihanouk's advisers and the louder than usual grumbling

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among anti-Sihanouk elements within the Phnom Penh establishment point to mounting disaffection. Sihanouk's troubles stem from the accumulated grievances of almost 15 years of heavy-handed personal rule. Mismanaged domestic policies have alienated even his strong supporters, and the recent growth of a Communist-supported dissident movement in the countryside has cast fresh doubt on the wisdom of Sihanouk's foreign policies.

Sihanouk's position is still formidable, however. There is no logical successor in sight, and the Prince's opponents remain divided and cowed. Sihanouk has taken pains to keep the army reasonably satisfied. The arrest of leading leftist figures and the appointment of new economic advisers may also help placate some of his critics.

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INSURGENT FORCES CLASH IN NORTHEAST BURMA

Hostilities between two major insurgent groups could ease Communist pressures on the Burmese Army.

[redacted] the Kachin Independence Army of Northern Burma on 2 August declared "war" on the pro-Peking White Flag Communists. The White Flags responded by labeling the Kachins "running dogs of General Ne Win."

For at least two months, the White Flag "Northeast Command" has been attempting to establish a base area in northeast Burma along the Sino-Burmese border. In their efforts to carve out a secure area, the White Flags apparently clashed several times with Kachin forces. The Kachins, who are predominantly anti-Communists interested mainly in win-

ning autonomy from the Burmese Government, had earlier been considering an alliance with the White Flags, and had accepted some aid from the Chinese Communists. An apparent change in the Kachins' attitude over the past few months probably reduced any White Flag hesitation about intruding into their territory in order to establish a base area.

Diversion of some of the White Flag troops to operations against the Kachins may bring an easing of White Flag harassment of Burmese Army forces. The Northeast Command, probably now the largest White Flag formation in Burma, has inflicted heavy casualties on the Burmese Army in recent encounters described as the largest in the past several years.

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THAI COMMUNISTS CONTINUE TO MINIMIZE ARMED ACTIVITY

The insurgent forces in Thailand appear to be husbanding their resources as armed incidents remain at a low level.

In the key northeast region, the Communists still appear to be concentrating on building a covert village-level organization. Attempted assassinations of local officials and informants rose sharply last month, reaching the highest level since early 1966. Communist attacks and harassment against security forces remain scattered and sporadic, however, and appear to be largely in reaction to government initiatives. Forced village propaganda meetings, once the guerrillas' primary tactic for gaining local support, have nearly ceased. The low level of armed insurgent activity has continued for almost a year and is almost certainly the result of increasingly intensive government security operations. Armed insurgent bands remain intact, however.

Fighting has also tapered off in the north, where the Communists inflicted a series of sharp setbacks on government forces earlier this year. This

seems to be primarily the result of the army's pullback from the Communist-held areas along the Lao border. There is also substantial evidence that the guerrillas are making a considerable effort to win support among tribal villages, including some in government-controlled areas. Government counterinsurgency programs are just getting under way and, in the case of tribal security forces, are still plagued by bureaucratic rivalries.

In southern Thailand, meanwhile, the long-entrenched Malaysian Communists are reacting to Bangkok's increased security efforts that were sparked by the guerrilla's decimation of a Malaysian border patrol last June. A recent series of small skirmishes with Thai patrols may indicate a greater willingness on the Communists' part to reverse their past practice of avoiding incidents with the Thai. A Thai Communist propaganda broadcast in mid-August for the first time described the activity along the Malaysian border as being directed against Thailand as well as Malaysia. The Malaysian Communists, however, have given no indication that they intend any major operations against Thailand.

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EUROPE

The Soviet occupation of Czechoslovakia, now entering its second month, produced a variety of developments this past week.

Soviet First Deputy Foreign Minister Kuznetsov stayed on in Prague for a second week. Among other responsibilities, he reportedly was looking for someone who would be more responsive to Moscow's desires as a replacement for Dubcek as head of the Czechoslovak party. Slovak party chief Husak was said to be a likely person and to be receptive to such an idea. His appointment could have seriously divisive effects in the party.

Dubcek, however, is reportedly to lead a high-level delegation to Moscow over this weekend. The "normalization" process, to which the USSR has given guarded approval, would probably be discussed, with the Czechoslovaks being given a stern lecture on additional changes the Soviets believe are needed. Plans for the Czechoslovak 14th party congress, which may be held in December, would be another likely subject.

The East German regime this week expressed its dissatisfaction with the pace and progress of change in Czechoslovakia. The East Germans also imposed some new controls on the access of West Berliners and West Germans to East Berlin. The Ulbricht regime has been circulating threatening reports of plans to harass West Berlin in October or November.

In Bonn, these developments have caused some anxiety, which was further heightened this week by an article in Pravda. In it, the claim was made that the Potsdam Agreement and the UN Charter legally empower the USSR and the three Western Allies to act "if the need arises" to check "the revival of German militarism and Nazism."

NATO staffs and committees were busy on their program to reassess NATO's position in view of the developments in Czechoslovakia. A special North Atlantic Council meeting is set for 1 October to review the working-level's conclusions.

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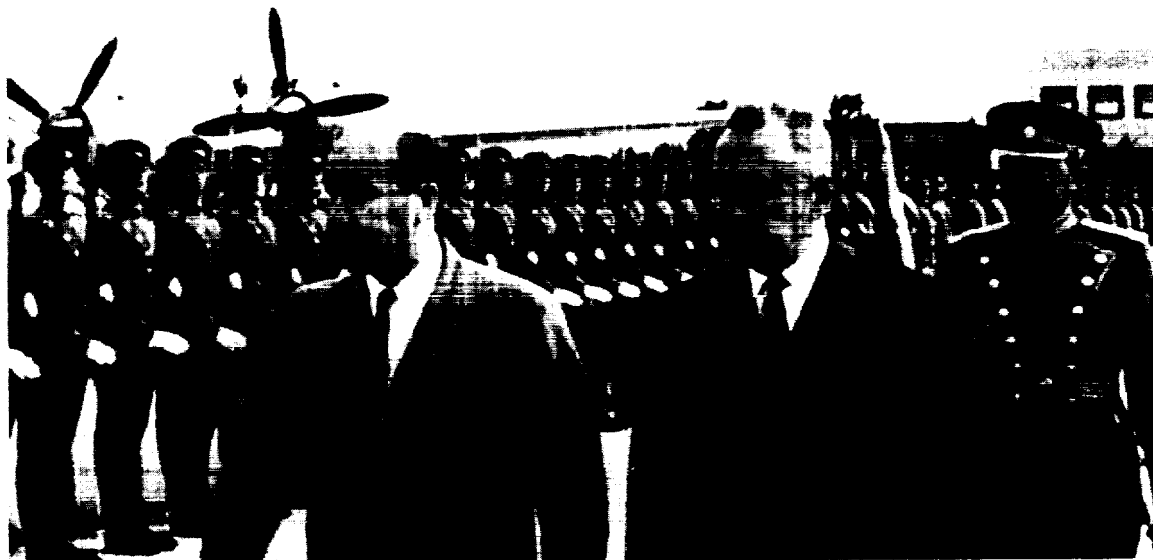
OUTSTANDING PRAGUE-MOSCOW PROBLEMS REMAIN UNSETTLED

Both Prague and Moscow have implied that the situation in Czechoslovakia is tending toward "normalization," but the outstanding problems between them are far from settled.

Premier Cernik visited Moscow on 10 September and met with Brezhnev, Kosygin, and Podgorny. Upon his return to Prague, Cernik indicated that a high-level Czechoslovak delegation would soon go to Moscow to negotiate the withdrawal of occupation troops. According to press reports, Dubcek will lead such an entourage to the Soviet capital this weekend. If the trip takes place, Dubcek and the Russians will probably discuss leadership changes to be made at the 14th Czechoslovak party congress, which may be held as early as December.

Most Czechoslovak leaders have urged full submission to the Moscow agreement, but have nevertheless described the Soviet-imposed restrictions as "temporary" and have promised that as many as possible of Dubcek's liberal reforms will be implemented. After its meeting on 17 September, however, the Czechoslovak party presidium still appeared to be divided on how far it had to go to satisfy the occupiers.

The Soviets, for their part, have approved the trend of developments in Prague as a start in the right direction, but they are not yet satisfied with the Czechoslovak version of "normalization." Moscow has reiterated that "counterrevolutionaries" are still at work and that some



Czechoslovak Premier Cernik arrives in Moscow on 10 September for the second time in less than three weeks. This time he was received with honors by Soviet Premier Kosygin; the last time he was under arrest.

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personnel changes in the government and mass media are necessary. The Soviet press has called for punishment of those opposing the occupation.

Soviet troubleshooter Kuznetsov reportedly has been scanning the Czechoslovak hierarchy for a leader who will be more responsive than Dubcek to Soviet demands. Slovak party chief Husak, who is receiving favorable comment in the Warsaw Pact countries' media, is frequently reported to be the most acceptable alternative to the Russians. Husak may be receptive to Soviet approaches, although his position is far from clear. In two recent speeches, he has implicitly criticized Dubcek by suggesting that his leadership underestimated the growth of "antisocialist forces" in the country prior to the intervention. Husak, however, does not appear to have wide support among the Czechoslovaks for any such change. Czechoslovak mass media have been portraying Dubcek as a "popular hero," apparently hoping to convince Moscow as well as domestic waverers that replacing him might generate serious popular reaction and make matters worse.

The Czechoslovak National Assembly has legalized restrictions on individual rights of assembly and association, as well as temporary censorship provisions that will remain in effect until a new press law can be formulated. It remains to be seen, however, how effective these measures are, and to what extent they will be en-

forced. Four days after the laws were enacted, journalists were still criticizing the Warsaw Five by "writing between the lines."

Prague has shown some irritation over the failure of the occupation powers to keep their promise of noninterference in Czechoslovakia's internal affairs. In addition to forthright press criticism in the official party daily, the Czechoslovak Government has formally protested such meddling by the Warsaw Five. The Czechoslovaks are also irked by the continued existence in Prague of the Soviet-sponsored Radio Vltava, which continues its biased commentary on the country's domestic affairs.

The Soviets appear willing to allow Prague some domestic reforms. The Czechoslovaks are continuing to promote tourism, are proceeding with measures designed to deal with housing and social problems, and are completing the basic steps toward federalization of the country by 28 October, the 50th anniversary of the founding of the first republic.

For the first time since the invasion, Prague officials are beginning to talk about foreign policy, saying that they will attempt to maintain relations with all countries on as normal a basis as possible. A Foreign Ministry spokesman has said to US Ambassador Beam that US-Czechoslovak relations should be resumed "as they had previously existed," and that the Czechoslovak Government intends to

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stand up for its rights in dealing with all countries, including the US.

The US military attaché in Prague reported on 16 September that most of the 7,500 Soviet troops that gathered at Prague's Ruzyně Airport last week were gone. These troops may have been airlifted back to the USSR in small units. There also were tenuous indications that some of the Soviets units moved into Czechoslovakia from East Germany will be replaced by troops from the western USSR which are now in the East German - Czechoslovak border area.

Elements of the Yugoslav Army remain in a state of alert.

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EASTERN EUROPE HELD IN SOVIET ECONOMIC GRIP

Czechoslovakia, Yugoslavia, and Rumania have good reason to fear the consequences of any economic pressures the Soviet Union and others of the "Warsaw Pact Five" may apply. The three countries, however, are vulnerable in different degrees to an interruption of trade.

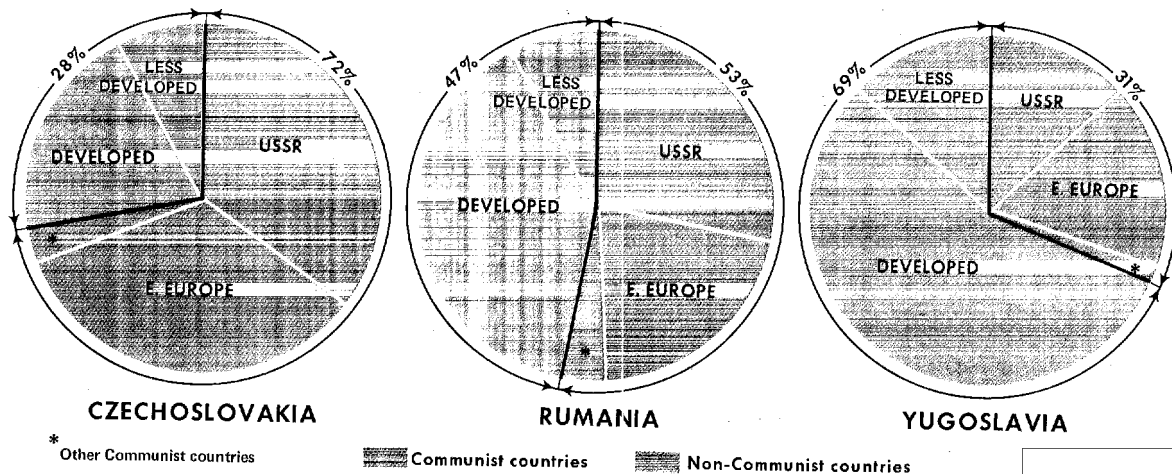
Czechoslovakia is dependent on the USSR and its allies for food imports and for raw mate-

rials for its industry. It lacks the hard currency to obtain these elsewhere. Since their intervention, the Soviets have agreed to provide Czechoslovakia with natural gas and increased deliveries of petroleum and grain. There is no evidence that the Warsaw Pact Five, buyers of most of Czechoslovakia's machinery and equipment exports, intend to cut back on orders. The poor quality of these items precludes their sale in Western markets.

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TRADE PATTERNS, 1967



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There are no authoritative reports of Soviet economic pressures against Rumania, but the economy is vulnerable to them. Its iron and steel, machine-building, metallurgical, and textile industries all depend on raw materials imported from the Soviet Union. On the other hand, Rumania is able to satisfy all of its food requirements, and also produces a surplus in foodstuffs, timber, and petroleum products, which are readily marketable in the West. Apparently in an attempt to capitalize on free world sympathy for its stand on the Soviet invasion of Czechoslovakia, Rumania has asked several Western European countries to purchase more Rumanian goods, primarily agricultural and processed food products.

Yugoslavia is the least vulnerable of the three to economic pressures from the USSR and other Eastern European countries. Selected Yugoslav industries, however, would be greatly affected.

The Soviet Union reportedly has already applied selective economic pressure by postponing discussion on a long-term extension of a Soviet-Yugoslav shipbuilding contract, which is important to the Yugoslav economy. Because of their poor quality, Yugoslav rolling stock, chemicals, machinery, and manufactured goods (largely textiles and shoes) would be difficult to sell in the West.

The Yugoslavs hope that discussions scheduled to begin next month with the EEC on a nonpreferential trade agreement will provide additional export opportunities in the Common Market. The new trade openings will be limited, however, because Yugoslav agricultural products are to be excluded from the discussions. A combination of Soviet pressure and an inability to increase its exports to the Common Market would aggravate economic difficulties in Yugoslavia and further threaten success of the economic reform program.

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EAST GERMANS HINT AT MORE HARASSMENT FOR BERLIN

The Ulbricht regime, abetted by the Soviet Union, continues to inspire rumors that East Germany may harass West Berlin in late October or early November.

As on many occasions in the past, Pankow is circulating stories that certain unspecified East German moves will be made against West Berlin in response to alleged West German provocations. A spate of such reports has been received concerning two forthcoming events in West Berlin--the Bundestag "Work Week" in late October, when several parliamentary committees will meet, and the Christian Democratic Union (CDU) party convention in early November.

paign designed to keep Bonn on the defensive, and may even be an attempt to influence Bonn and the CDU to cancel the Bundestag Week and the convention.

West German officials have in fact, displayed nervousness over possible new harassment of West Berlin. Thus far, however, they have given no sign that they intend to cancel, postpone, or downgrade the forthcoming meetings. Foreign Minister Brandt, during a Berlin visit on 17 September, reaffirmed his confidence in the security of the city.

The Soviet Union has given Western diplomats assurances that the invasion of Czechoslovakia did not presage action against Berlin, but these affirmations do not preclude action by East Germany. Measures applied by Pankow could be directed at West Germans only, thus enabling Moscow to contend that Allied rights were indeed not affected.

The marked increase in Soviet military strength since the invasion of Czechoslovakia and Moscow's effort to blame the Czechoslovak crisis on Bonn have added to tensions. This week, the Soviets also reasserted their claim to have legal justification, along with the Western Allies, to intervene if necessary to curb West German "militarism and neo-Nazism." During the past year, Moscow has warned that events demonstrating Bonn's ties with West Berlin invite a Communist reaction.

The East Germans may indeed be contemplating limited harassment of Berlin, short of interfering with Allied rights, with the hope of bringing about high-level negotiations with Bonn. At the very least, the East German - inspired stories appear to be part of a psychological cam-

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PORTUGAL CONSIDERS SUCCESSOR TO SALAZAR

Portugal's President Thomaz, who has the constitutional responsibility of appointing a prime minister, has begun consultations with high military and civilian authorities over the choice of a successor to Prime Minister Salazar.

The 79-year-old leader's chances of recovering from a cerebral hemorrhage suffered on 16 September are remote. In the unlikely event that he survives the initial ten-day critical period, he may linger, perhaps in a semiconscious state, for an extended period of time. Thomaz prefers not to name a successor while Salazar is still alive but he is under increasing pressure from influential groups to make an announcement soon.

Thomaz has obtained the approval of military and civilian leaders for the appointment of Marcelo Caetano as prime minister.

Caetano, 62, is a lawyer, a professor of administrative law, and a former cabinet member. He has been the chief architect of the corporative system of the present regime.

Caetano's designation reportedly is contingent on his retaining in the government the present minister of defense,

General Gomes de Araujo; the chief of the armed forces General Staff, General Venancio Deslandes; and the Secret Police chief, Major Fernando Silva Pais. Two other possible choices to succeed Salazar have reportedly been selected to become deputy prime ministers. They are Professor Joao Antunes Varella, a former justice minister; and Brigadier Kaulza de Arriaga, chief of the Atomic Energy Board.

Jockeying for power may not be over. Caetano's selection appears firm, but there are rumors that he has met opposition to his insistence on a free hand in choosing his cabinet. Although information about his designation has superseded earlier reports that a caretaker or interim appointment was being considered, the announcement may await Salazar's death or medical word that he cannot be consulted. President Thomaz has scheduled for 20 September another meeting of the Council of State, which he has been consulting on the succession. A low-level military alert is being maintained to assure that the transition is peaceful, and military leaders are participating in meetings associated with the choice of a successor. The atmosphere in Lisbon is quiet but expectant.

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SWEDEN'S SOCIALISTS SWEEP ELECTIONS

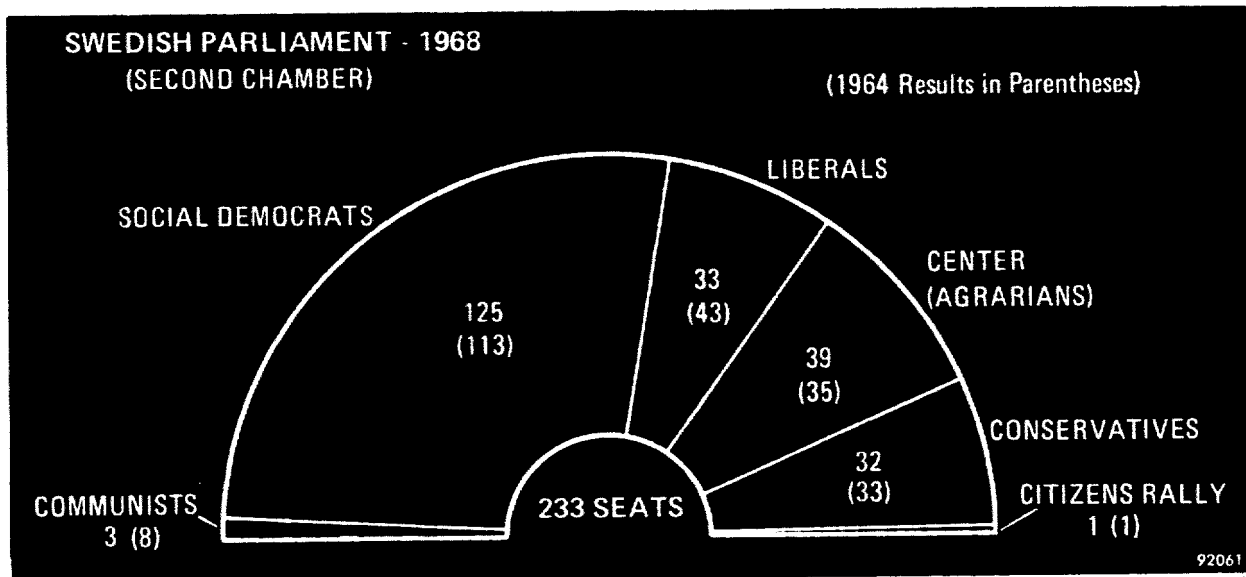
In the elections on 15 September, Sweden's long-dominant Social Democratic Party won a clear majority in the second chamber of parliament for the first time since World War II. The Socialists, running scared, made strong appeals to young voters and to the left, a strategy that paid off handsomely.

A major factor in the Social Democratic sweep was the defeat suffered by the Communists, who bore the brunt of public indignation over the Soviet occupation of Czechoslovakia. Frantic efforts by the party's leadership to dissociate the party from the Soviet action proved unavailing. The party chairman not only sharply condemned Moscow but even called for a freeze on Swedish-Soviet relations and

the recall of the Swedish ambassador.

The three major non-Socialist parties--the Conservatives, the Liberals, and the Center--had had high hopes of ousting the Social Democrats, who have been in power for some 35 years. As it turned out, only the Center picked up seats; the other two suffered marked setbacks.

With the elections behind them, government leaders will probably devote less time to criticizing US policy in Vietnam. Two years from now, Sweden will elect a unicameral parliament. Until then, the Social Democrats will probably concentrate on attempting to persuade the electorate that its vote of



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confidence was justified by pushing more vigorous domestic programs, especially in such fields as housing and employment. In an apparent move to maintain the momentum gained by their election victory, the Socialists have already announced their intention to develop an "energetic economic policy," having in view the nationalization of certain segments of the economy and an increase in the government's role in economic decision-making.

There has been increased speculation about a successor to Prime Minister Erlander, who has announced his intention to retire. The leading contenders are Minister of Education Olof Palme, a leader of the more radical wing of the party and a critic of US involvement in Vietnam, and another member of the cabinet, Krister Wickman, who has the support of the powerful trade union federation. [REDACTED]

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NUCLEAR HAVE-NOTS MEET IN GENEVA

The Non-Nuclear Conference meeting in Geneva this month has reflected the dissatisfaction of the nuclear have-nots with the Non-Proliferation Treaty (NPT) and the methods contemplated for its implementation. The many far-ranging proposals being considered are variously designed to give nonnuclear countries greater security from nuclear attack and to improve their access to nuclear materials, peaceful nuclear explosive (PNE) services, and technology.

Pakistan has put forth a resolution asking the nuclear powers to commit themselves not to use nuclear force against nonnuclear states. It further asks that the nuclear powers assist threatened nonnuclears through the UN Security Council

without resort to veto. West Germany and Belgium may each table proposals asking the nuclear powers to renounce the use of all force except as an act of individual or collective self-defense. Others recommend an international conference to work out nonuse formulas with great power guarantees pending nuclear disarmament.

Considerable discussion has focused on ways to make various clauses of the NPT--such as safeguards, material and technology rights, and PNE services--less susceptible to the control of nuclear powers. Among the proposals is an Italian plan to establish a "fund" of nuclear materials to be replenished annually by the nuclear powers for the benefit of the nonnuclears, and a

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demand by the Swiss for access guarantees to technology and fissionable material.

West Germany announced that, under its interpretation of the NPT, the nuclear powers have an obligation to disclose to the nonnuclear all peaceful-use technology, including that related to isotope separation. Several nations have suggested fundamental changes in the International Atomic Energy Agency (IAEA) in order to facilitate nonnuclear rights. Mexico and Italy have even suggested a new international organization to review, authorize, and supervise PNE services, matters that most countries believe are the

exclusive prerogative of the IAEA.

Some nations friendly to the US are seeking to divert pressures for security assurances to a generalized call for strengthening the UN security system. There seems to be little support for a new international organization or for substantial revamping of IAEA. The conference may, however, produce some recommendations that, if accepted, would complicate implementation of the tediously hammered-out provisions of the NPT. Moreover, it will probably vote to perpetuate itself in some way, becoming perhaps a biennial occasion.

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MIDDLE EAST - AFRICA

Israel has not yet mounted a major retaliatory strike against Egypt or Jordan, and no new incidents have occurred along the Suez Canal. President Nasir last weekend pointed out in a speech that Egypt's armed forces are not yet ready for major offensive operations, and Israeli statements and actions seemed at least momentarily restrained. Exchanges of fire continued between Jordan and Israel, and for the first time in months, Arab terrorists were reported active along the Lebanese border.

Yemeni Republican Premier al-Amri on 14 September formed his sixth cabinet, the fifth having resigned over internal dissensions. Al-amri's simultaneous appointment of new armed services chiefs should give him tighter control over the republic's affairs.

A Southern Yemen delegation has left for Peking, probably in search of financial contributions and other support for the shaky regime. Indications are that some kind of assistance will be forthcoming.

African leaders attending the fifth Organization of African Unity summit meeting chose to pick their way around the various contentious issues they might have dealt with and ended their Algiers session on a note of bland unity.

President Tombalbaye of Chad will visit Washington early next month, hoping to find some palliatives for his country's many domestic problems.

In Nigeria, federal forces have taken the major Biafran town of Owerri and are pushing hard toward the capital at Umuahia. The Biafrans have reiterated their support for rebel leader Ojukwu and have reaffirmed their determination to fight to the bitter end.

The government of Senegal has reached a compromise agreement with the dissident student group whose demonstrations last spring for a time threatened the country's stability. In exchange for government concessions, the student leaders agreed to refrain from further strikes and to work with President Senghor to accomplish desired reforms at the University of Dakar.

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MIDDLE EAST SITUATION STILL FRAGILE

The Israelis have shown more restraint than usual during the past week, although their public statements in recent days underscore the fact that they are fully prepared to slap down any Arab "provocations."

Indications were strong last week that the Israelis were about to mount some harsh raid against the Jordanians or Egyptians in response to serious border confrontations. The Israelis, however, have not yet carried out a major attack, and some statements indicate that they prefer for the moment to play down the border clashes. At the same time, they are making it clear that they are well prepared and easily capable of hitting the Arabs whenever they desire. The continuing Security Council session on the Middle East situation may be acting as a temporary brake on violent reprisals.

Military skirmishes along the frontiers are still going on, and Israel early this week accused Jordan of shelling Israeli settlements along the northern frontier. The Israelis retaliated by shelling the northern Jordanian town of Irbid with 130-mm. Soviet artillery pieces they picked up from the Egyptians during the June war. The Israelis restrained themselves on the occasion, however, and dropped only five shells

on the town, a relatively minor assault in view of the number of casualties the Israelis claim were inflicted by the Jordanians.

President Nasir's speech last weekend was also comparatively mild in tone. Egyptian sentiment for action along the Suez Canal has been picking up in recent weeks, and Nasir may have been trying to restrain his trigger-happy military units in the area. Although he reiterated that a just solution to the Middle East problem could be obtained only by military action, he admitted that the time was not yet ripe for another war, and that Egypt was not yet ready for the "liberation" stage of its rebuilding.

Whether or not a major incident takes place in the immediate future depends as usual on the Israelis. The pattern for retaliation in the past has been based on the Israeli casualty rate, and even if the Arab governments wish to avoid reprisals, they seem to have little control over many frontier units in their armies. In King Husayn's case, terrorist groups are still operating freely--with the cooperation of the Jordanian Army or Iraqi units in many cases--and the Israelis are almost certain to take another swipe at the terrorist bases in the near future.

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OAU SUMMIT SESSION RISES ABOVE DIVISIVE ISSUES

The Organization of African Unity (OAU) this week ended its fifth summit session after ignoring, brushing aside, or riding over the many potentially divisive issues it might have dealt with. The Algiers meeting was marked by the absence of a number of important African leaders and by the stringent security precautions of the Algerian hosts. Not even the press, barred from almost any contact with the participants, was able to find a flicker of color or controversy in the uneventful session.

Although several of the issues on the agenda appeared likely to create a lively and even divisive session, none of them generated any serious discord. The African heads of state--those who attended--continued to maintain the image of unity and cooperation that has been created in past OAU meetings, and avoided bringing up problems that would have aggravated internal African conflicts.

As expected, the conference condemned the policies of the white-dominated states of Rhodesia, South Africa, and the Portuguese territories, and called upon the US and other countries to break all links with South Africa. The summit carefully avoided taking a strong position on the Middle East question, call-

ing merely for a withdrawal of foreign troops from Arab territories occupied since June 1967, in keeping with UN Security Council resolutions.

The central and potentially most divisive issue before the conference--the Nigerian problem--was dealt with swiftly. Despite pressure from the four countries that support secessionist Biafra--Zambia, Tanzania, Ivory Coast, and Gabon--the heads of state refused to depart from the OAU's previous support of the Nigerian Government put forth at the Kinshasa meeting last year. Reports that Biafra would be granted observer status and a possible hearing before the conference proved to be unfounded.

Two other provocative issues also failed to ignite any serious discord among the delegates. Diallo Telli--the controversial, free-wheeling Guinean who is the incumbent OAU secretary general--was re-elected to a four-year term by default. The several African governments who have serious objections to Telli were unable to unite behind any alternate candidate. A Moroccan-sponsored attempt to reform and restructure the OAU's African Liberation Committee, which supervises efforts to liberate Africa's remaining colonies, was quietly brushed aside.

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VORSTER GUIDES SOUTH AFRICA WITH CARROT AND CLUB

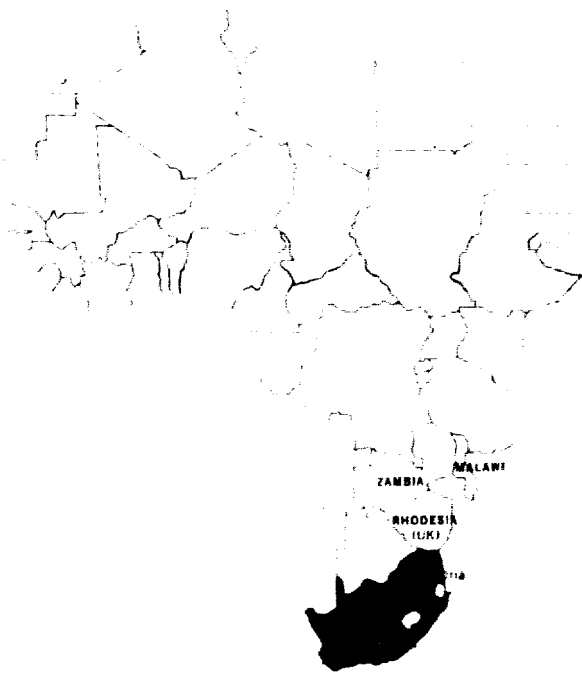
After two years in office, Prime Minister Johannes Vorster has established his control over the levers of power in South Africa.

In mid-August, Vorster moved against his most vociferous critics, the "verkrampte" or ultra-rightist wing of his own party, by firing four cabinet ministers including Minister of Health Albert Hertzog, their principal spokesman. This was the first major purge of cabinet officials in 20 years of Nationalist Party rule, and it further frees Vorster to pursue his own more pragmatic policies rather than the rigidly doctrinaire apartheid

advocated by some hard-line Afrikaners.

A key issue between Vorster and the "verkramptes" is his so-called "outward looking" foreign policy, which is designed to spur the development of political and economic relations with Black African states. The "verkramptes" are dismayed that several black African leaders have been given red carpet treatment during visits to South Africa, and they fear that the posting of black diplomats to Pretoria--as Malawi has already done--will prove a dangerous breach in the country's tightly controlled racial segregation. Vorster's most notable success has been Malawi, where Pretoria has gradually increased its presence over the past two years by such means as some \$26.6 million in development aid. Early this month, South African Foreign Minister Muller paid an official call on Malawi President Banda and was extended every diplomatic courtesy.

Vorster is not content to rely solely on the carrot approach to black Africa, however. In late August, the South Africans deliberately publicized unconventional warfare maneuvers along their northern border in the hope of deterring future guerrilla infiltration through Rhodesia. These exercises parallel Pretoria's assignment of some 200 security police to active duty in Rhodesia to assist in the antiguerrilla campaign



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there. From time to time, Vorster has also issued public warnings to Zambian President Kaunda, threatening retaliatory action if Zambia continues actively to encourage guerrilla infiltration into South Africa.

Vorster has made fewer innovations in South African domestic policy, and none that would suggest any softening of basic apartheid policies. Enforcement of the complete separation of races is being extended slowly into such additional areas as schools and trade unions. A few liberal students continue to voice their opposition sporadically, but their recent protests have

brought a threat from Vorster to "take steps" against their organization. Nonwhites are allowed no opportunity to protest. Last week, 80 percent of the student body at an all-African university was summarily suspended for attempting a sit-in.

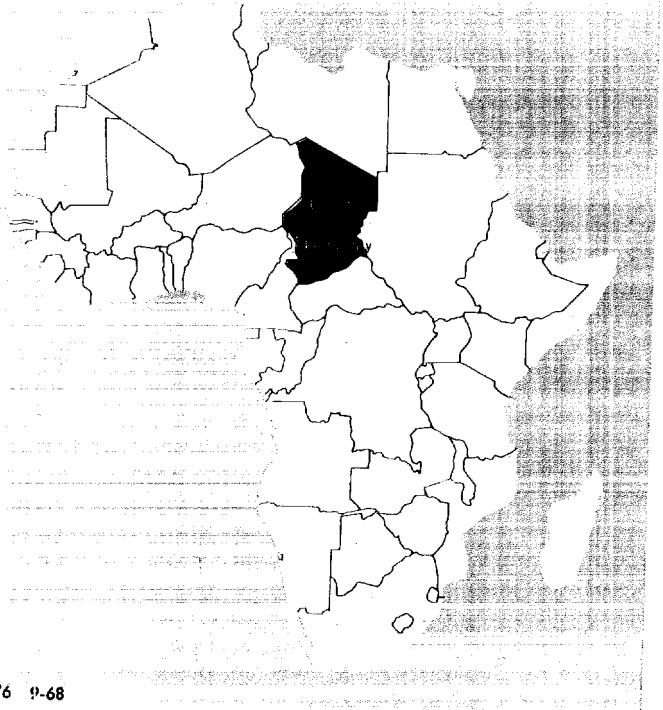
To date, Vorster has proven himself to be a clever and expedient politician. He knows full well that fear of the black African majority is still the key political force among the ruling white population, and he is not likely to initiate any action that would unduly concern the average white voter.

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MONUMENTAL PROBLEMS STILL BESET CHAD GOVERNMENT

Chad's pro-Western President Tombalbaye, who begins an official visit to the US on 2 October, has become increasingly frustrated by his inability to make appreciable progress toward solving his country's monumental political and economic problems.

Landlocked in the center of Africa and almost devoid of exploitable resources, Chad is one of the poorest and most remote countries on the continent. The vast majority of the people are largely untouched by the money economy and lead a hand-to-mouth existence. The population is extremely fragmented, although about equally divided between sedentary Negro tribes in the south and nomadic Muslim peoples of mixed Arab and Negro ancestry in the north and east.



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PRESIDENT TOMBALBAYE

Chad's main political problem stems directly from the tensions generated by these ethnic divisions. For the past three years, Tombalbaye's southern-based, Negro-dominated regime has had to deal with an armed rebellion by dissident Muslim-Arabic elements in the country's eastern provinces. Although there has been a lull in the fighting for the past several months, the government retains only a tenuous hold over large sections of the country. The basic causes of the rebellion--ancient ethnic hatreds mixed with modern political and economic grievances--remain untouched.

Chad is virtually held together by various forms of French assistance. The government is dependent on the French for even its day-to-day operation. This was highlighted late last month when Tombalbaye was forced to call on French troops stationed in Fort Lamy to rescue a Chadian

Army platoon besieged by dissident northern tribesmen. The northern dissidence is relatively minor and is not related to the serious Muslim rebellion in the east.

Dependence on the French has become an increasingly bitter pill for Chadian leaders, many of whom have come to see the large French presence as basically "exploitive," and even as a root cause of their inability to make any progress in economic development. This has led at times to an almost desperate search for alternate aid sources and has resulted in some ill-considered aberrations, such as Tombalbaye's co-founding of the Union of Central African States, naively viewed as an alternative to the French-sponsored customs union already in operation in Central Africa. Tombalbaye has occasionally been extremely critical of the French.

The search for a way out of the French grasp has also resulted in renewed appeals to other countries to increase their aid levels. Tombalbaye is likely to press numerous requests on US officials in Washington early next month. His hastily arranged visit to the USSR this summer apparently was intended to generate something more than the token assistance now received from that quarter and to demonstrate a degree of independence from France and the West.

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Mexican Army occupation of the National University on 18 September may have serious consequences. President Diaz Ordaz is not likely to waver now from the firm course he has set. The government may have waited too long for its move. Extreme leftist students and professors have had time to organize and have made plans for clandestine operations during the "government repression" they anticipated. The determination already shown by these extremists and the support they have already been able to muster suggest that the movement will not end quickly.

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In Honduras, the government declared a state of siege following announcement by north coast labor unions that they were declaring a general strike on 19 September. The government may have overreacted, and there is danger that repressive measures may arouse popular sympathy for the opposition.

Brazilian security forces are making an all-out effort to prevent the illegal National Students' Union from holding the clandestine annual congress it plans for the near future. If the government breaks up the congress by force, as it has in the past, the students will have a new cause for disorders.

The Peruvian political scene boiled up last week over leftist and nationalist opposition to the agreement that President Belaunde worked out earlier this summer with the US-owned International Petroleum Company. Some high-ranking military leaders are also said to be dissatisfied with the government's handling of the situation, giving rise to rumors of a military coup. More likely in the near future, however, would be a military bid for greater representation in the cabinet.

In Bolivia, President Barrientos is orchestrating a carefully contrived scenario to squash his troublesome civilian opposition and at the same time preserve the reputation of the military. General Vasquez, leader of last month's abortive coup, is cooperating by publicly implicating the opposition political parties. The government, meanwhile, is quietly dealing with the military officers who were the real culprits.

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POLITICAL LULL ENDS IN PANAMA

President-elect Arias' followers are maneuvering to consolidate their political control in preparation for the inauguration on 1 October. Resolution of the impasse in the National Assembly regarding the vote count for deputies, held in abeyance during Arias' three-week trip to Europe and the US, will probably be the first order of business for Arias' coalition.

One of Arias' political aides alleges that the final decision on deputorial elections will be patterned after the outcome of the long-delayed municipal election vote count for Colon and Panama City. The award of municipal council seats on 31 August, which resulted in impressive victories for the National Union (NU) coalition, and Arias' Panamenista Party in particular, was accomplished in an arbitrary and fraudulent manner to give Arias absolute control of both city governments.

Some of Arias' allies are reportedly alarmed over the way he has steamrollered members of his own party into key positions. The final settlement of the assembly stalemate and the distribution of cabinet positions may intensify partisan strains within the NU. Moreover, reports that Arias plans to merge all the coalition partners into a single party can be expected to create additional friction.

The newly elected Panama City council last week proposed the creation of a municipal police force. Although it is still not clear whether this action was taken at Arias' behest, the opposition press has already labeled it a first step toward the dismantling of the National Guard. There are also tentative indications that Arias may be planning a large increase in the size of the National Department of Investigations, Panama's small secret police organization.

The National Guard would be highly sensitive to any attempt by Arias to recreate such a counterforce. Prior to his ouster in 1952, Arias revamped the secret police so that he could use it as an instrument to repress his political enemies--a power play that earned him the combined enmity of both the guard and the National Assembly.

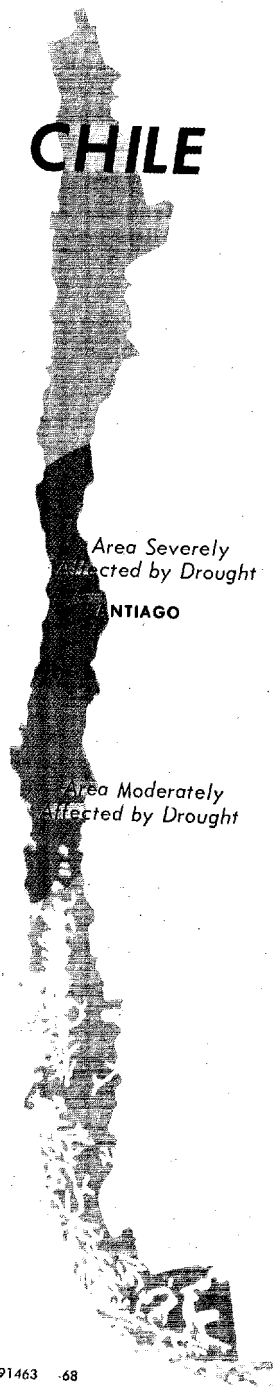
Efforts by Arias to decrease the influence of the guard would reinforce the fears of his wealthy coalition partners and key guard officers that he is once again returning to the authoritarianism for which he was twice before forced from office. If he pushes these plans once in office, Arias may face serious difficulties with the very sectors he needs to retain power.

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CHILEAN DROUGHT CAUSES RURAL UNREST

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The most severe drought in Chile in more than a century is causing unrest among landowners and their workers and sharecroppers. Rainfall in the northern part of the agriculturally important Central Valley is only 20 percent of normal this year, and snowfall in the Andes, on which Chile depends for summer irrigation, has been very light. As a result, agricultural production could decline by more than 25 percent. In addition to the problems caused by the drought, the landowners continue to be squeezed by credit restrictions, price controls, and high taxes.

Against this background of economic hardship, charges of widespread rural unemployment and large-scale firings of peasant workers are being heard. The landowners claim that they cannot absorb the drought losses without dismissing some workers. The workers claim that even if this is true, the owners are using drought-induced layoffs to get rid of rural union leaders and "troublemakers." Even the minister of the interior, who usually takes a relatively hard line against strikers and labor agitators, has stated that owners who dismiss their help now should have their farms seized by the workers. Seizures have already occurred in several places, and medium- and large-scale farmers are banding together and some are arming themselves to counter threatened seizures.

Some leftists, both inside and outside the government, wish to capitalize on the drought problems by accelerating expropriations under the agrarian reform program. They claim that drought relief programs will only strengthen the

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private agricultural sector and that farms should be turned over to the workers before such relief is implemented. The agrarian reform agency, which is already under fire because of its inefficiency, may indirectly encourage workers to take over the

drought-hit farms while expropriating the better ones itself. It may also decide to concentrate its future efforts in the south, which has been less affected by the lack of rain.

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NEW APPROACHES NOT LIKELY TO SOLVE ECUADOR'S PROBLEMS

The Velasco administration's hastily conceived measures for Ecuador may well be sowing the seeds of renewed political instability and a more serious fiscal crisis.

Jose Maria Velasco has made several major moves intended to alleviate the fiscal crisis that was his most urgent problem when he became president for the fifth time on 1 September. They are not likely to solve Ecuador's basic and chronic financial difficulties, however, and have already aroused political opposition. Among the palliatives are plans to nationalize control of major imports and exports, the renegotiation of the concession contracts for oil reserves recently discovered, and a variety of tax changes.

Ecuador's skyrocketing budget deficit will probably reach some \$50 million by the end of 1968, and the 1969 budget hastily conceived and passed by the congress in early September sets expenditure levels so unrelated to in-

come possibilities that the deficit process will probably accelerate. Portions of the budget were adopted with complete disregard of their contents.

As lower level administrative appointments have been made, men with questionable and, in some cases, proven subversive political backgrounds have appeared in key positions. Some new officials have ties with ex-president and current senator, Carlos Julio Arosemena, who has ambitions to return to power.

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In his personalist exercise of power, Velasco has always rated the supposed personal loyalty of his subordinates above any other qualifying factor. This policy helped destroy the effectiveness of his past administrations. Velasco's first three weeks in office indicate a repetition of the ineptness and capriciousness that led to his overthrow on three previous occasions.

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